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SUBJECT: MACEDONIA: SCENESETTER FOR CODEL DREIER'S VISIT,  
NOVEMBER 19-25

¶1. (U) Welcome to Macedonia! HDAC's assistance to the Macedonian parliament, both the provision of IT equipment and the opportunity for a professional visit to the United States earlier this year, has made a real contribution here. Your visit, nearly three months into the new government's mandate, comes at the right time both to consolidate what has been achieved through the HDAC program to date and to deliver some important messages to the new Macedonian government (GOM).

CORE MESSAGES

¶2. We believe the GOM should:

--Pursue broad consultations and consensus-building with opposition parties on key legislation and implementation of reforms.

--Demonstrate through results your commitment to implementation of the 2001 Framework Agreement (FWA), in close consultation with opposition parties and parties not in government.

--Work for broad political consensus to implement your economic growth and reform agenda and to fulfill key criteria for NATO and EU membership (including fighting corruption in a non-partisan manner, combating trafficking in persons, and ensuring Macedonia meets international religious freedom standards).

POLITICAL CONTEXT -- DIALOGUE INCHES FORWARD

¶2. (SBU) The new inter-ethnic (ethnic Macedonian and ethnic Albanian) governing coalition headed by Prime Minister Gruevski was sworn-in on August 26. The government has only just begun to implement some of its ambitious legislative and economic growth agenda. Part of the reason for the slow start is that the government has been unable or unwilling so far to work effectively with the ethnic Albanian DUI party, which won the majority of eAlbanian votes in the July parliamentary elections but was not included in the governing coalition. (NOTE: Having won the majority of eAlbanian votes, DUI considers itself "out of government" but not/not in the opposition, and refuses to use the word "opposition" to describe itself.) Also hampering progress is the fact

that the government has dismissed or transferred and demoted many civil servants. While some replacements are well-qualified, many newly-emptied positions remain vacant, and some have been filled with neophytes.

¶3. (SBU) The government and DUI have made pro forma efforts to discuss their differences, but the dialogue has not produced practical positive results. The GOM should acknowledge that it must work differently with DUI which, given its eAlbanian majority support, cannot be considered just a "typical" opposition party. Consultation and compromise with DUI on key legislative initiatives, especially those related to the Framework Agreement (FWA), must begin early on, and the government should demonstrate flexibility and generosity in reaching consensus on those initiatives. At the same time, DUI must show it can engage in genuine dialogue and that it is prepared to reach compromises before negotiations conclude; it cannot assume it has veto power over legislative proposals.

#### FRAMEWORK IMPLEMENTATION -- MISSION NOT YET ACCOMPLISHED

¶4. (U) The new government has stated its commitment to full implementation of the 2001 Framework Agreement (FWA) that ended the inter-ethnic conflict in Macedonia that same year. In fact, all FWA-related legislative requirements have been met, most having been passed by the previous government. Implementation of decentralization (the devolution of power from the central government to local governments), and of equitable representation of ethnic minorities in public administration, were launched successfully a year ago. The challenge for this government is to build on what was achieved by its predecessor and to fully implement decentralization without excessive partisanship in the allocation of jobs or funds. Several FWA-related requirements

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-- including a law on languages -- remain to be completed, and the government must demonstrate results in implementing FWA-related reforms.

#### NATO AND EU MEMBERSHIP -- REFORMS MUTUALLY REINFORCING

¶5. (SBU) The government has stated its commitment to NATO and EU membership as top foreign policy priorities, and is supported by opinion polls showing 90 percent or higher public support for membership in both organizations. Nevertheless, the difficulty the government has shown in managing effectively intra-coalition and government-opposition relations has hampered initial progress on the rule of law, judicial reform, and other political and economic criteria Macedonia needs to fulfill to be considered a strong candidate for membership in either organization.

¶6. (SBU) Macedonia could be a competitive candidate for a NATO invitation at the next enlargement summit, given its strong performance on defense reforms and its contributions to NATO operations in Afghanistan. Government interlocutors need to hear, however, that to achieve that goal the GOM must work effectively with DUI to overcome the current political impasse and find a mechanism for building broad consensus with other opposition members for economic and other NATO-related reforms. In addition, the government must show concrete results in fighting corruption in a non-partisan manner, redouble efforts to combat trafficking in persons, and pass a religious freedom law that guarantees religious communities and groups the right to register and worship freely in Macedonia. (The current law, while enforced unevenly, allows the GOM to limit the number of confessions that can register as a religious community or group. As a result, although the Macedonian Orthodox Church is registered as a religious community, the Serbian Orthodox Church cannot legally register as either a religious community or group.)

¶7. (SBU) Although Macedonia received EU candidate status in

December 2005, it has yet to receive an invitation from Brussels to begin accession negotiations. The government received an assessment from the EU in early November on its progress in meeting the EU acquis. That EU assessment pointed to the need for political consensus in pursuing reforms, especially in police and judicial reforms; continued implementation of the FWA; and the need to show results in combating corruption, as some of the challenges the country will need to overcome before it can expect to begin accession negotiations in the future.

KOSOVO FINAL STATUS -- BORDER DEMARCATON AS PART OF FINAL STATUS SETTLEMENT

18. (SBU) The government's position on Kosovo final status has been closely aligned with ours -- support for UN Special Envoy Ahtisaari and the Contact Group, for a settlement as soon as possible, and for resolution of the demarcation of the Macedonia-Kosovo border in the context of a final status settlement. (NOTE: The border was delineated, but not demarcated, in a 2001 agreement between Belgrade and Skopje, which Pristina rejects.) The government has indicated it would be among the first to recognize an independent Kosovo in the event the border demarcation issue is resolved as part of a final status settlement. Relations overall are good, with regular meetings between Skopje and Pristina and an interim free trade agreement signed between Macedonia and UNMIK/Pristina in 2005. We encourage the government to continue its constructive support for the final status process, and to continue to adhere to the position that the border demarcation issue should be resolved in the context of a final status settlement.

NAME DISPUTE -- CONTINUE UN PROCESS

19. (SBU) Discussions between Greece and Macedonia on the dispute over the latter's right to use its constitutional name -- Republic of Macedonia -- continue under UN auspices. The GOM has reiterated its "dual name" proposal (a mutually agreed upon name for use in bilateral relations with Greece,

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and the constitutional name for all other bilateral relations and for use in multilateral fora) as the basis for further discussions with the Greek government. Athens has rejected that proposal. The USG recognized Macedonia's constitutional name in 2004 for use in our bilateral relations. We continue to urge both sides to be flexible and to work toward compromise on this sensitive issue through participation in the talks under UN auspices in New York.

ECONOMIC GROWTH -- NEED STABLE POLITICAL BASE

110. (SBU) PM Gruevski's top-priority goal is fostering economic growth and development, a goal we share. The GOM is aiming for a 6-8 percent annual GDP growth rate during its mandate, compared to the 4.0 to 4.5 percent rate it inherited from the previous government. The government hopes to achieve that growth rate through tax cuts and a flat tax, through fiscal stimulus, and by attracting foreign direct investment. Overall, the macro-economic climate remains positive, with low inflation and a stable exchange rate. A US firm (Milwaukee-based Johnson Controls) recently broke ground for the first major greenfield investment in Macedonia's free trade zone near Skopje, a promising investment "coup" for Macedonia.

Nevertheless, the government should accept that more robust economic growth requires the political stability that will accompany improved inter-ethnic relations and a more consensus-based approach to implementing reforms.

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